

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

COMPLIANCE OF KENTUCKY-AMERICAN)
WATER COMPANY, AMERICAN WATER WORKS)
COMPANY, RWE AKTIENGESELLSCHAFT AND)
THAMES WATER AQUA HOLDINGS GMBH WITH)
THE PROVISIONS OF THE ORDERS) CASE NO. 2002-00277
APPROVING THE TRANSFER OF CONTROL OF)
KENTUCKY-AMERICAN WATER COMPANY TO)
RWE AKTIENGESELLSCHAFT AND THAMES)
WATER AQUA HOLDINGS GMBH)

ORDER

In approving the transfer of control of Kentucky-American Water Company (Kentucky-American) to Thames Water Aqua Holdings GmbH (Thames), Thames Water Aqua US Holdings, Inc., (TWUS) and RWE Aktiengesellschaft (RWE) the Commission required written acknowledgements by each entity s chief executive officer accepting and agreeing to be bound by 61 separate conditions.¹ Condition 32 requires that:

RWE, Thames, TWUS, AWWC, and KAWC will obtain Commission approval prior to KAWC s payments of any dividend or transfers of any funds within a calendar year that collectively represent more than 5 percent of KAWC s retained earnings as of December 31 of the prior calendar year to RWE, Thames, TWUS or any other entity related to RWE.²

¹ See Case No. 2002-00317, The Joint Petition of Kentucky-American Water Company, Thames Water Aqua Holdings GmbH, RWE Aktiengesellschaft, Thames Water Aqua US Holdings, Inc., Apollo Acquisition Company and American Water Works Company, Inc. for Approval of a Change of Control of Kentucky-American Water Company (December 20, 2002).

² Id., Appendix A at 6.

On October 24, 2003, Kentucky-American Water Company (Kentucky-American) declared a dividend on common stock of \$1,238,239 that will be paid on December 15, 2003. Pursuant to Condition 32 of the Commission s December 20, 2002 Order, Kentucky-American, Thames, TWUS, RWE, and American Water Works Company, Inc. (jointly, Applicants) submitted their October 29, 2003 request for Commission approval of the December 15, 2003 common stock dividend. The Applicants submitted a similar request on August 13, 2003 for Commission approval of Kentucky-American s September 22, 2003 common stock dividend of \$752,348. By its Order of September 4, 2003, the Commission granted its approval.

According to Applicants, Kentucky-American s declared dividend of \$1,238,239 is in conformity with the historical dividend policy of paying 75 percent of earnings available for common dividends. According to the Applicants, collectively the declared dividend of December 15, 2003 and the September 22, March 28, and June 23, 2003, dividends represent more than 5 percent of Kentucky-American s accumulated retained earnings as of December 31, 2002.

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that Kentucky-American s dividend policy has not been affected by the change in ownership. Therefore, Kentucky-American s December 15, 2003 common stock dividend of \$1,238,239 should be approved.

IT IS THEREFORE ORDERED that Kentucky-American s December 15, 2003
common stock dividend of \$1,238,239 is approved.

Done at Frankfort, Kentucky, this 20th day of November, 2003.

By the Commission

ATTEST:


Executive Director